

Message Text

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PAGE 01 TEL AV 01136 251424Z
ACTION GAO-02

INFO OCT-02 NEA-10 ISO-00 ABF-01 PM-05 DODE-00 SSM-05
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FM AMEMBASSY TEL AVIV
TO AMCONSUL FRANKFURT
INFO SECSTATE WASHDC 827

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FRANKFURT FOR JOSEPH EDEN, DIRECTOR EUROPEAN BRANCH, USGAO

E. O. 11652: N/A
TAGS: AGAO EAID IS
SUBJ: GAO REVIEW OF ECONOMIC ASSISTANCE TO ISRAEL

REF.: (A) 77 FRANKFURT 8414, (B) 77 TEL AVIV 9772

THE ECONOMIC ADVISOR TO THE ISRAEL MINISTRY OF
DEFENSE HAS REPLIED TO THE EMBASSY REQUEST FOR INFORMATION
ON SINAI REDEPLOYMENT COSTS AS FOLLOWS:

BEGIN QUOTE:

ISRAEL'S REQUEST FOR CASH AID IN AFY 1977
(\$200 MILLION) WAS NOT JUSTIFIED NEITHER SOLELY NOR
PRIMARILY BY THE COSTS ASSOCIATED WITH THE REDEPLOY-
MENT OF DEFENSE LINES IN SINAI. CONSEQUENTLY, THE
ACTUAL OUTLAYS FOR THIS PURPOSE SHOULD BE COMPARED
ONLY WITH THE \$150 MILLION CASH GRANTED TO ISRAEL IN
AFY 1976.

THE DIRECT OUTLAYS ASSOCIATED WITH IMPLEMENTING
THE 1975 INTERIM AGREEMENT IN SINAI--MAINLY OUTLAYS FOR
CONSTRUCTION AND PROCUREMENT--AMOUNTED TO IL 560 MILLION,
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IN HISTORICAL PRICES, EQUAL TO \$75 MILLION. OUT OF THE
ABOVE-MENTIONED SUM, \$3.3 MILLION WERE SPENT AS
US DOLLARS, FOR DIRECT PROCUREMENT IN THE USA.

THE ESTIMATE OF INDIRECT COSTS IS OF COURSE A
MATTER OF DEFINITION. ON THE BASIS OF A RATHER NARROW
DEFINITION--TAKING INTO ACCOUNT MILITARY LABOR COST,

TRANSPORTATION AND MAINTENANCE OF EQUIPMENT--WE ESTIMATE
THE INDIRECT COSTS TO BE OF THE SAME ORDER OF
MAGNITUDE AS THE DIRECT OUTLAYS.

CONSIDERING CURRENT POLITICAL DEVELOPMENTS, WE FIND
IT VERY DIFFICULT TO FORESEES FUTURE COSTS IN CONNEC-
TION WITH THE SUBJECT UNDER VIEW. END QUOTE
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